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RUEHBJ/AMEMBASSY BEIJING 1845
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RUEHGV/USMISSION GENEVA 0398
RUEHVEN/USMISSION USOSCE 2257
RUCNDT/USMISSION USUN NEW YORK 1642
RUEHNO/USMISSION USNATO BRUSSELS BE
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RUEHLMC/MILLENNIUM CHALLENGE CORP
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C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 001741

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DEPT FOR SCA/CEN (GEHRENBECK)
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SUBJECT: A TALE OF CORRUPTION IN THE KYRGYZ PRIVATIZATION
PROCESS

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Classified By: Amb. Marie L. Yovanovitch, Reason 1.4 (b) and (d).

11. (C) Summary: Deputy Parliament Speaker Alymbekov revealed to Ambassador aspects of a murky privatization deal for the Kyrgyz tin and tungsten company "ShPU." According to Alymbekov, the government inexplicably selected the lower of two bids for "ShPU," rejecting a much higher bid from a U.S.-registered company. The lower offer, he noted, is from a Russian-Kazakh venture, linked to Kyrgyz President Bakiyev that plans to transfer the firm to Chinese interests subsequent to the sale. Alymbekov claimed to be the only public opponent of the deal, and wanted to inform the Ambassador in case "something happens" to him. Alymbekov's tale, however, underscores the murky nature of Kyrgyz privatizations. End summary.

Setting the Stage for Disclosure

12. (C) Deputy Parliament Speaker Erkinbek Alymbekov invited the Ambassador to a December 4 meeting that began with a general discussion of the current Kyrgyz political environment. However, Alymbekov soon dismissed his staff before outlining to the Ambassador the details of a privatization dispute involving a minerals company in his district southeast of Lake Issyk Kol along the Chinese border.

A Raw Deal - Metal on the Cheap

13. (C) Alymbekov said a recent tender for a state-owned tin, tungsten and light bulb firm, identified by the Russian abbreviation "ShPU" and located in the eastern Sary Jaz region, generated two bids. The higher \$50 million bid involved a U.S. firm, Basic International Development Corporation (BIDC), and a local Kyrgyz partner. The lower

\$20 million offer originated from a Russian-Kazakh team, which is represented on the Kazakh side by the "Sary Jaz Mineral Mining Company (SJMMC)." Alymbekov claimed the SJMMC is owned by the Kazakh bank "Turan Alem," which is, he added, closely linked to Kyrgyz President Bakiyev and Deputy Prime Minister Usenov. According to Alymbekov, the government decided to sell "ShPU" for the Russian-Kazakh team's lower offer. He claimed the Russian-Kazakh team planned to then sell "ShPU" at a large profit to Chinese interests.

Opposing the Deal

¶4. (C) Alymbekov claimed unspecified "threats" during judicial proceedings in a court closer to Sary Jaz forced the relocation of a legal case against the sale to the Bishkek court system. An October 10 physical assault on Alymbekov, he noted, caused the chairman of "ShPU" to halt his challenge of the sale. (Note: At the time of the assault, Alymbekov said publicly that the attack was related to a business deal involving a U.S. firm. End note.) Alymbekov identified himself as the sole remaining opponent of the deal, and has hired three bodyguards for protection. He added that his wife, who works for the Central Election Commission, is being pressured at her job. At this point in the meeting with the Ambassador, instead of identifying the instigators of this entire affair aloud, Alymbekov wrote down two names: Prime Minister Kulov and Acting Minister of Interior Suvanaliev.

More Confrontation on the Horizon?

¶5. (C) The Ambassador asked about the next steps and what action he expected from the embassy. Alymbekov speculated a showdown would result if he informed his constituents about

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the deal publicly. However, Alymbekov said the outcome would depend on his behavior. "If I am quiet," he added, "I will lose face, so I must fight." Alymbekov said he had not been approached to stop his opposition, but indicated his "sources" had provided him some worrying information. As a result, he wanted the Ambassador to know the details of the dispute in case "something happens" to him. Alymbekov expressed interest in more information about the U.S. firm, BIDC, and provided the Ambassador with the firm's contact information in New York.

What is BIDC?

¶6. (C) According to public New York state corporation records, BIDC is a "foreign business corporation" based in Delaware using, according to public Delaware state corporation records, an agent in New Castle, Delaware. Alymbekov's information placed BIDC at 17 State Street, New York, NY 10004-1501. There is scant information available about BIDC on the internet - but, it is described as an "advisory organization" that provides "financing and project management." Additional internet information indicated that a BIDC representative sat on a panel in 2005 with a U.S. Department of Commerce official known to the embassy. That USDOC official informed embassy that the BIDC representative "perplexed" him, and added that BIDC's apparent website, www.bidc.us, displays the European Bank for Reconstruction and Development (EBRD) website. A search of the EBRD website revealed no BIDC content. Local contacts, including the EBRD representative, have never heard of BIDC. BIDC never contacted the embassy regarding this deal, despite the fact that they have representation in Bishkek, according to Alymbekov. The Ambassador suggested that BIDC, as a U.S. corporation, could confer with the American Chamber of Commerce or the embassy's economic officer, but Alymbekov was unenthusiastic about this offer.

Comment

17. (C) Alymbekov presented one side of what appears to be a questionable Kyrgyz privatization deal. He pointed fingers at both the President and Prime Minister, raising questions about their motives, as well as his own. Perhaps, he is truly fighting for the public interest, and this is a truly rotten privatization case. The optics of a direct Chinese purchase of "ShPU" and its mineral resources might have presented too many problems -- so it is conceivable that Chinese investors might seek to control the assets through a Russian-Kazakh venture. SJMMC and the others may all be front operations for the liquidation of a valuable state-owned asset. However, the many unanswered questions about this case illustrate the lack of transparency that characterizes the murky world of Kyrgyz privatizations.

YOVANOVITCH